



# Iowa Department of Human Services

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Terry E. Branstad  
Governor

Kim Reynolds  
Lt. Governor

Charles M. Palmer  
Director

December 15, 2015

Michael Marshall  
Secretary of Senate  
State Capitol Building  
LOCAL

Carmine Boal  
Chief Clerk of the House  
State Capitol Building  
LOCAL

Dear Ms. Boal and Mr. Marshall:

Enclosed please find copies of the report to the General Assembly relative to the "Hospital Health Care Access Assessment Program – Transition to Managed Care".

This report was prepared pursuant to the directive contained in Senate File (SF) 505. Provisions of SF 505, enacted by the 86th Iowa General Assembly, required a report to the legislature regarding the hospital health care access assessment program transition to managed care.

Please feel free to contact me if you need additional information.

Sincerely,

Paige Thorson  
Policy Advisor

PT/av

Enclosure

cc: Terry E. Branstad, Governor

# Iowa Department of Human Services



## *Hospital Health Care Access Assessment Program – Transition to Managed Care*

**December 2015**

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## **I. Introduction and Background**

This report is being submitted in accordance with Senate File (SF) 505, enacted by the 2015 Session of the Iowa General Assembly.

Provisions of Senate File (SF) 2388 enacted by the 83<sup>rd</sup> Iowa General Assembly, required the Department of Human Services (DHS) to establish a hospital health care access assessment program effective July 1, 2010. The hospital health care access assessment was based on a percentage of fiscal year (FY) 2008 hospital net patient revenues. Critical access hospitals, state-owned hospitals, and out of state hospitals were excluded from paying the hospital health care access assessment.

The hospital health care access assessment was codified in the Iowa Code, Chapter 249M with a repeal date of June 30, 2013. Subsequently, provisions in SF 446, Section 57, amended Iowa Code section 249M.5, extending the repeal date for the hospital health care access assessment program, from June 30, 2013, to June 30, 2016.

During state fiscal year (SFY) 2015, the Iowa Governor's office announced that there would be a procurement process to award contracts for transition of Medicaid services to managed care organizations (MCOs). Beginning January 1, 2016, most Iowa Medicaid members will be enrolled in one of four managed care programs under the name **IA Health Link**.

Provisions of SF 505, enacted by the 86<sup>th</sup> Iowa General Assembly, required a report to the legislature regarding the hospital health care access assessment program transition to managed care.

## **II. Methodology and Future Discussion**

The Iowa Medicaid Enterprise (IME) held various meetings with stakeholders regarding the **IA Health Link** program, which included the Iowa Hospital Association (IHA). The initial meeting with IHA occurred on September 15, 2015, where the topic of the hospital health care access assessment transition was discussed. The IME communicated that the hospital healthcare access assessment program base rate add-ons would be included in the managed care reimbursement rate floors for participating hospitals.

The Department on Human Services (DHS) carefully considered how to transition Medicaid services to managed care while creating stability for both members and providers. As part of those considerations, the department has prescribed that the MCOs shall not reimburse providers lower than the "floor", or minimum amount, for each service, as designated by DHS. MCOs and providers are able to negotiate rates higher than the department designated floor, but may not negotiate rates which are lower.

The published capitation rates currently reflect the increased hospital reimbursement, as directed by the Legislature pursuant to Senate File 505, resulting from the hospital health care access assessment program. Beginning January 1, the participating hospitals will submit their claims to the MCOs and will be reimbursed in the same amount they would have received had those claims been submitted to and paid by the Department. None of the hospital assessment funds will go to non-participating hospitals. Claims will be paid in the same way that they were being paid effective October 1, 2015 and because the non-participating hospitals were not entitled to the assessment add-on as of October 1, 2015, they will not receive any of those monies after January 1, 2016.

IHA has recommended that reimbursement of participating provider be made through a lump sum adjustment, instead of through claims, as part of the rate floors. However, such a transition will take time to implement, given that program payments are currently paid as a percentage increase to hospital base rates rather than as a lump sum payment. In addition, a new payment structure will also require CMS approval and legislative amendments to Iowa Code 249M.